

MAY 21 1998

Mr. Bryce Butler, Facilities Manager
The Knapheide Manufacturing Company
1848 Westphalia Strasse
Quincy, IL 62305-7140

Dear Mr. Butler:

RE: Review of the Supporting Information for Supplemental Environmental Projects
The Knapheide Manufacturing Company
formerly of West Quincy, Missouri

We have reviewed the subject information and offer the following comments:

General Comments

1. This project represents the establishment of a high standard of discontinuity, both in terms of time and location and in terms of project-associated personnel. There are topics which may seem familiar, and for which documentation would seem to exemplify unnecessary review, but in fact such documentation is needed to allow for an appropriate level of scrutiny. An example of such a topic is addressed in Specific Comment No. 1. The contents of this comment were originally posed in the Environmental Protection Agency's (EPA's) July 12, 1995, review comments.
2. The nature of this project would point toward the value of the creation of a comprehensive compendium of cost exhibits. Such a presentation would provide worthwhile information necessary for summarizing cost status. By assembling a stand-alone document, Knapheide would account for the discontinuous nature of the project and allow for expedited completion of the review and approval process.

Specific Comments

1. Knapheide has clarified that the electrodeposition (EDP) system is installed in the new facility and has provided invoices documenting the total cost of the system. Expenses for conducting a technology investigation are not included in the total cost (or are not identified as such). EPA previously informed the facility that investigation costs would be eligible for penalty offset as soon as the EDP system was installed in the new facility. The facility must provide a complete and detailed list of the final cost for the technology investigation, including supporting documentation, that addresses SEP 4 comments b, c, and d in EPA's July 12, 1995, review:

ARTD/RESP:GRESHAM:pr:7645:I\SEP4.REV1.WPD:05/19/98

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Comment b. Page 1 of the cost breakdown contains an inconsistency in the event dated January 27 and 28, 1994. The "attendees" line item cost is listed as "18 attendees @ \$40K each * 2 days" equaling \$5,760." An error is present in this calculation. Knapheide must resolve this discrepancy.

Comment c. In several instances on all three pages of the cost breakdown, travel for the Knapheide employees is billed at \$730 per hour. However, this rate is always the same regardless of the number of people listed in the line item and no matter which people are listed. Knapheide must provide clarification for this apparent inconsistency.

Comment d. For potential penalty offset determinations, Knapheide must submit invoices and expense sheets for all consulting and employee costs to justify the costs listed in the proposed SEP.

2. The facility has provided the total cost of the EDP system, less the cost of two spray booths purchased at the same time "to continue operating as in the past using the HPLV spray equipment with compliance coating." The invoices include costs for five paint booths and two ovens. EPA stated in its October 4, 1996, comments that any offset granted for the EDP system under SEP 4 will be based on net cost to the company over its existing system. The facility does not explain (1) the purpose of the paint booths, (2) why the cost of only two booths of the five have been deducted from the total amount of the invoice, and (3) the reason for continuing to operate as in the past if it is purchasing an EDP system to replace the old spray paint system. The facility must clarify: (1) the purpose of the original system (e.g. for applying a corrosion resistant pre-coat, prime coat, guide coat, or top coat); (2) the purpose for which the EDP system is to be used, (e.g. applying a corrosion resistant pre-coat, prime coat, guide coat, or top coat); (3) the purpose of the spray booths (e.g. for applying a corrosion resistant pre-coat, prime coat, guide coat, or top coat); and (4) the reason for not subtracting the cost of any of the other three spray booths from the total amount. Ultimately, the facility must subtract the cost of purchasing a system comparable to its old system from the total amount or any insurance settlement paid for its replacement (whichever is greater), and this must be clearly documented.
3. The documentation of cost does not provide any information on tax deductions, which the company may have taken for the new equipment. The "Interim Revised Policy on the Use of Supplemental Environmental Projects in EPA Enforcement Settlements" states that offsets are calculated on after-tax expenditures only. The facility must document whether a tax deduction was received for replacement of the system, and if a deduction was received, the amount of the deduction must be subtracted from the total cost.

4. The facility has provided emissions data for the system's first 10 months of operation. Previous EPA comments stated that "at such time that . . . Knapheide can document that the new painting system allows Knapheide to do pollution reduction activities beyond applicable environmental regulations," EPA would allow a penalty offset of 30 cents on the dollar for the cost of the system (excluding the items specified in comment 3). In order to fully satisfy this requirement, the facility must provide 1 full year of emission data and copies of all applicable regulations and permit requirements for comparison.
5. Knapheide has provided a formula specification sheet for two coating resins used with the new system. The information provided does not specify the finish coat for which resin is used. Under 40 CFR 60.392, EPA mandates different emission limits specifically for (1) prime coats, (2) guide coats, and (3) top coats. The facility must specify for which coating each resin is used and must provide any applicable regulations or permit requirements governing volatile organic compounds and hazardous air pollutants.

If you should have any questions regarding these comments or any other pertinent topic, please feel free to contact me at (913) 551-7804, or at gresham.bill@epamail.epa.gov.

Sincerely,

William Gresham
Compliance Officer
RCRA Enforcement and State Programs Branch
Air, RCRA, and Toxics Division

cc: Tom Judge, MDNR